

DATE: March 26, 1954

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OPERATIONS COORDINATING BOARD
Washington, D.C.

PROGRESS REPORT ON NSC 170/1,
"U.S. OBJECTIVES AND COURSES OF ACTION IN KOREA"

REFERENCE: NSC Action 972d.

OCB FILE NO: 26

NSC review(s) completed.

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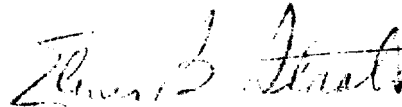
April 16, 1954

MEMORANDUM FOR THE OPERATIONS COORDINATING BOARD

SUBJECT: Progress Report on NSC 170/1

The Operations Coordinating Board Progress Report on NSC 170/1, "U.S. Objectives and Courses of Action in Korea," dated March 26, 1954, was noted and approved by the National Security Council on April 6, 1954, Action No. 1087.

The attention of the Board is invited to NSC Action No. 1087-b, which provides for a continuous review by the OCB of Annex A to NSC 170/1.



Elmer B. Staats
Executive Officer

Attachment:

Progress Report on NSC 170/1, "U.S. Objectives and Courses of Action in Korea," March 26, 1954, with Appendix A, February 9, 1954; Appendix B, March 23, 1954.

March 26, 1954

PROGRESS REPORT ON NSC 170/1,
"U.S. OBJECTIVES AND COURSES OF ACTION IN KOREA"

I. SUMMARY

A. Actions in Execution of Policy

In implementing NSC 170/1 the following major actions have been taken:

1. The United States has continued to observe the armistice, and has endeavored unsuccessfully through the Military Armistice Commission to get Communist compliance with the armistice terms.
2. President Rhee has been formally notified of the UNC and US reaction to a unilateral initiation of military operations by the ROK (see appendix A).
3. The U.S. has developed plans and taken appropriate actions to permit maximum flexibility in meeting any likely eventuality in respect to preventing or countering resumption of fighting by the ROK.
4. A political conference to consider the Korean question will meet at Geneva on April 26. Political and economic pressures on Communist China are being maintained pending the outcome of the conference.
5. The United States and the Republic of Korea have ratified the Mutual Defense Treaty. It can be brought into effect at any time by an exchange of ratifications. The United States is delaying this action pending further assurance of continued ROK cooperation.
6. Redeployment of two U.S. divisions from Korea (cf. NSC Action No. 972d.) has been announced and a phased withdrawal of these units is taking place. Further action to withdraw U.S. forces will await developments at the Geneva Conference.
7. The policy in NSC 170/1 to allow new construction in Korea and the conclusion of an economic aid agreement on December 14 have cleared the way for more rapid progress in the Korean reconstruction program.
8. A separate report on covert operations will be made to the Board.

B. Evaluation of Policy

1. The working group considers that NSC 170/1 continues to be effective, timely and applicable, with the following exceptions:

Para. 6. (Annex A to NSC 170/1, separately distributed) has not been fully implemented due to changed circumstances, including diminished likelihood of unilateral action by the ROK since the adoption of the policy statement. However, ROK capability for unilateral action must be recognized and plans therefor kept current and coordinated.

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Para. 10c. providing for a vigorous campaign to secure additional armed forces from other UN members has not been practical in view of the armistice, the withdrawal of the French battalion and the South African Air Force squadron, and the announcement of U.S. intention to withdraw two U.S. divisions.

It is recommended that the above paragraphs of NSC 170/1 be re-examined in due course in the light of the situation current at that time.

C. Major Problems

A number of developments, both political and economic, in US-ROK relations, (e.g., The Korean Political Conference, review of the dollar-hwan conversion rate, slower than expected progress in economic programs) are likely to converge in May or June, in which case there may well be a period of very difficult relations.

II. DETAILED REPORT

A. Statement of Actions by Paragraphs of NSC 170/1

Preventing or Countering the Resumption of Fighting by the ROK

Para. 5a. The United States has continued to observe the armistice. However, despite continuing efforts through the Military Armistice Commission, and the efforts of the Swiss and Swedish members of the Neutral Nations Supervisory Commission, Communist non-cooperation has made it impossible to enforce Communist compliance with the armistice terms or to carry out effectively the inspection provisions of the armistice agreement.

Para. 5b.(1) See Appendix A.

Para. 5b.(2) See Appendix B.

Para. 5b.(3) As a portion of the overall detailed military planning required by NSC 170/1, provisions were made for UNC troop dispositions in Korea to permit the maximum flexibility in meeting likely eventualities, and in so far as possible to demonstrate U.S. determination to carry out its policies in respect to resumption of hostilities. There is further reference to this operational planning in the following paragraphs.

Paras. 6, 7, and 8. The contingencies of unilateral action by the ROK (paras. 6 and 7) and resumption of hostilities by the Communists (para. 8) did not materialize during the reporting period. Coordinated military planning was nonetheless required and accomplished, and in respect to para. 6 (Annex A to NSC 170/1, separately distributed) certain capabilities had to be created even though it was determined that the courses of action should not be fully implemented because of changed circumstances. Revision of para. 6 in the light of these changes, including the diminished likelihood of unilateral action by the ROK, is therefore desirable. Despite the letter of March 6 from President Rhee to President Eisenhower giving notification that the ROK may take unilateral action, the present estimate is that the courses of action followed by the United States since the armistice, and the changed circumstances arising from the armistice have materially lessened the likelihood of unilateral action by the ROK.

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Seeking to Obtain Satisfactory Agreements from the Communists

Para. 9a. Negotiations to arrange for a political conference to consider the Korean question were initiated on October 26 at Panmunjom by Ambassador Dean and were indefinitely recessed on December 12. Liaison negotiations were reopened January 14. However, these were abandoned when the Foreign Ministers' Conference at Berlin agreed to arrangements for a Korean Political Conference to convene at Geneva on April 26 on terms substantially better than those which had been rejected by the Communist negotiators at Panmunjom.

Para. 9b. The United States has continued to exert political and economic pressures against Communist China. This subject is treated in greater detail in other NSC papers.

Achieving a Position of Strength in Korea

Para. 10a. The United States and the Republic of Korea have ratified the Mutual Defense Treaty. It can therefore be brought into effect at any time by means of an exchange of ratifications in Washington. As a result of President Rhee's letter of March 6 to President Eisenhower giving notification that the ROK may take unilateral action, the exchange of ratifications is being delayed pending further assurance of continued ROK cooperation.

Para. 10b. The United States has continued to build up and maintain the security position of the ROK consistent with the armistice terms, has announced its intent to redeploy from Korea two U.S. divisions in FY 1954, and has commenced their phased withdrawal. Plans are being made for major phased withdrawals in U.S. Fiscal Year 1955, but no further overt action will be taken pending developments at the Geneva Conference.

Para. 10c. In view of the armistice and the redeployment of two of our own divisions, it has not been practical to carry on a vigorous campaign to secure additional armed forces from other UN members for service in Korea, and the only augmentation of Allied forces has been a hospital unit from West Germany. The U.S. has given its approval to the withdrawal of a French battalion to fight in Indochina, and has reluctantly assented to the withdrawal of the South African Air Force squadron, the India ambulance unit, and two New Zealand frigates. The Department of State, however, has been endeavoring to persuade other countries to maintain the present level of their forces in Korea.

Para. 10d. The United States has continued to work in and through the organs of the United Nations where feasible and in this connection has supported the continuance of UNCURK and its movement to Seoul where it may better observe developments in Korea, and similarly has supported the continuance of UNKRA and has taken steps to ensure that UNKRA's program is integrated with the United States bilateral aid program.

Para. 10e. The United States is making use of UNC facilities in Korea to provide assistance to the Korean people. In this connection a supplemental armed forces assistance program (\$15 million in materials has been made available in FY 1954) is in full-scale operation and has

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already made significant contributions, which have been given wide publicity in Korea, to the rehabilitation of schools, churches, roads, etc. Military units are giving technical assistance in various areas of the Korean economy and took very effective measures for the relief and reconstruction of Pusan after the disastrous fire in November 1953.

Para. 10f. On December 14, 1953, an agreement between Mr. Wood, as CINCUNC's Economic Coordinator, and Prime Minister Paik Too Chin further specified the basic terms for operation of the Combined Economic Board in order to facilitate large-scale augmentation of the program of U.S. economic assistance to the ROK. This agreement was executed pursuant to the US-ROK Economic Coordination Agreement of 24 May 1952 and to the US-Korean Economic Cooperation Agreement of 1948. Implementation of the economic program proceeded slowly in the first half of FY 1954 owing to problems in planning and in reaching accord with the Republic of Korea on internal stabilization measures. Until late November 1953, the Economic Coordinator in Korea, Mr. C. Tyler Wood, was restrained from undertaking new construction in connection with the Korean Aid Program by Para. 10f.(4) of NSC 170. In order to give the Economic Coordinator greater latitude in determining projects for Korean reconstruction, the NSC ruling was modified. Of the \$200 million available to FOA for the economic program, firm requests were received for approximately \$50 million in the first half of FY 1954. Implementation proceeded at a much faster rate in January, but it is probable that not more than \$150 million of the \$200 million will be committed by the end of June 1954. Unless saleables can be increased and absorbed, with a proportionate decrease in the investment component, and other appropriate measures initiated, increased budgetary expenditures and a marked increase of money supply will create serious danger of a new inflationary spurt between now and June. This situation could lead to serious differences with the Government of the ROK.

Para. 10h. The Department of State has constantly in its contacts with our Allies carried on a campaign to persuade them to accept U.S. courses of action and contribute to their support. Specifically, Department of State officers have met frequently with our sixteen Allies in order to reach agreement on the issues and positions involved in the POW problem and in the political conference. In addition, the U.S. delegation at the UN has constantly worked with our Allies in an effort to gain their support for U.S. policies, and our Embassies abroad have acted similarly with the Foreign Offices of the Governments to which they are accredited.

Para. 10i. Covert operations will be reported on separately.

USIA support of above mentioned actions. USIA prepared information policy guidances on those subjects for which special efforts were deemed advisable to develop understanding and support abroad of the U.S. position. Continuous news policy guidance was provided to USIA press and radio offices in the U.S. and major items were treated in information guidances transmitted to overseas posts. The latter were made available to the Department of Defense for transmission, in its discretion, to overseas commands.

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With respect to the US-ROK Mutual Defense Treaty, USIA output included Secretary Dulles' letter to the President and the President's message to the Senate requesting early ratification of the treaty, Senate discussions of the treaty, and the Senate's approval of it. All progress was immediately communicated to Korea through press and radio channels. Guidance and output concerning the withdrawal of the two U.S. divisions from Korea was designed to assure the ROK that the withdrawal would not result in a diminution of the overall strength that would be available to turn back renewed aggression. Meanwhile output both in and to Korea continues to portray progress in the build-up of ROK defense forces. All available material on progress in the relief and reconstruction programs, including about one story a day on the Armed Forces Assistance Program, was communicated to Korean audiences. Twelve MSA/Marshall Plan motion pictures, emphasizing self-help in the U.S. aid program to European countries, were used in Korea. The ROK-US economic agreement was reported globally and output stressed the magnitude of the problem, and the amount of aid to be delivered by the end of the current fiscal year, and, particularly to Korea, the need for and examples of cooperation in achieving the goals of the aid program. The US-UN position in the efforts of Ambassador Dean and his staff to reach an agreement with the Communists on arrangements for a political conference was supported globally through USIA channels which used material supplied by Agency correspondents covering the negotiations at Panmunjom.

B. Assessment of the Current Situation in Korea in Relation to U.S. Objectives

1. The likelihood of unilateral action disrupting the armistice by the Government of the Republic of Korea has diminished but still remains a possibility that must be reckoned with. The letter delivered by the Vice President, the fact of the existence of the armistice, the measures taken by the military to protect their position in case of unilateral action, and the release to civilian status of the prisoners held by the UNC all contributed.

2. The relatively small possibility that in a political conference agreement might be reached to unify Korea seems even less now in the light of the economic and military assistance being provided to North Korea by the Communist Chinese and the Soviet Union. However, if agreement can be reached with the ROK on a proposal for unification of Korea which will appeal to the free world as reasonable, the political conference may provide a forum in which the Communists could be dealt a severe propaganda defeat.

C. Current Estimate of the Possibility of Attaining U.S. Objectives

1. Since the long-range objective is not likely to be attained, the United States should concentrate upon the achievement of the current objective stated in paragraph 2 of NSC 170/1, through measures designed to strengthen the economy and the defense forces of the Republic of Korea, and to improve its relations with other free world governments.

2. It is doubtful that it is possible to achieve the objective of economic stability simultaneously with the maintenance of a 20-division army and the carrying out of a major investment program. The importation of a quantity of saleable commodities sufficient to balance even a reduced

investment program, together with the ROK defense expenditures, might raise the standard of living beyond the goal of the 1949-1950 level set forth in NSC 170/1. Some continuing inflation will accordingly have to be accepted; the investment program will probably proceed more slowly than is desirable; and the period necessary to achieve self support (with some continuing defense support) may have to be extended.

III. MAJOR PROBLEMS PENDING IN US-ROK RELATIONS

A. The joint statement by the Secretary of State and President Rhee on August 8 committed us to negotiate an administrative agreement or agreements with the Republic of Korea which would provide for the privileges and immunities of the United States and other United Nations forces stationed in Korea. Until this arrangement is negotiated it is expected that present informal arrangements will stay in effect. It has not been decided whether to negotiate one agreement covering both United States and United Nations forces or separate agreements. However, in any event the United States will negotiate on behalf of all forces concurrently, consulting with the other United Nations Governments in advance as it may prove necessary.

B. The ROK has presented a series of requests for strengthening its military establishment. Specifically, the ROK has asked for increasing the armor and fire power of the present forces and an increase of the present ground forces to a total of 35 to 40 divisions with simultaneous increase in the ROK navy and air force. These requests are being carefully considered by the Joint Chiefs of Staff, and have been placed on the agenda of the NSC.

C. The various efforts to improve relations between Japan and the ROK and to reopen negotiations between them on pending issues have proved unsuccessful, although President Rhee and Prime Minister Yoshida recently made separate statements expressing willingness to meet. The Department of State is now trying to encourage both Governments to follow up on these expressions. This effort and any other which would be likely to prove effective in bringing about a rapprochement between the two governments should be vigorously and promptly pursued.

D. Economic relations are likely to produce the following friction points: (1) rate of construction of new plants and facilities (investment); (2) proportion of aid funds devoted to anti-inflation imports as distinguished from investment; (3) use of ROK foreign exchange; (4) control of procurement with aid funds, in particular procurement in Japan; and (5) the dollar-hwan conversion rate. These problems taken together may present a period of very difficult U.S.-ROK relations by May or June of this year. Every possible effort must be made to accelerate the aid program and to secure adequate publicity for its accomplishments within Korea. The U.S. should not compromise, however, by agreeing to measures which are clearly not in the interest of the Korean economy.

E. It will be difficult, but important, to secure Republic of Korea cooperation before and during the Korean Political Conference at Geneva in order to develop a coordinated position consistent with U.S. objectives and interests.

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APPENDIX A

T H E W H I T E H O U S E

Washington

February 9, 1954

MEMORANDUM FOR THE CHAIRMAN, OPERATIONS COORDINATING BOARD

SUBJECT: NSC 170/1

In connection with the preparation of the Progress Report with respect to the above-mentioned policy paper (U.S. Objectives and Courses of Action in Korea, November 20, 1953), the course of action stated in Paragraph 5 b (1) has been accomplished in so far as President Rhee is concerned in the course of meetings between Vice President Nixon and President Rhee during November 1953, as subsequently reported to the National Security Council by the Secretary of State and Vice President Nixon, and by correspondence between President Eisenhower and President Rhee.

Until further direction from higher authority, no further action need be taken to implement this course of action.

ROBERT CUTLER
Special Assistant
to the President

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APPENDIX B

March 23, 1954

Further Exchange of Letters Between
President Eisenhower and President Rhee (NSC 170/1)

On March 6, President Rhee wrote to President Eisenhower giving notification that he might take unilateral action to unify Korea. In addition, he said that the ROK would attend the Korean Political Conference at Geneva if the United States would either (a) agree to assist the ROK in military efforts to unify Korea or (b) strengthen the ROK forces in accordance with ROK requests.

As a result of this letter, the Secretary of State directed that the exchange of ratifications of the Mutual Defense Treaty, which will bring the Treaty into effect and which had been scheduled for March 18, should be postponed. No reason was given the Koreans for the postponement.

The answer, dated March 20, recapitulates the position on unilateral ROK action expressed in the President's letter of November 6, which was delivered by Vice-President Nixon. It also rejects President Rhee's alternative proposals, although it suggests the possibility of developing a mobilizable reserve in the ROK. The answer was delivered to President Rhee on March 22. He received it with little comment. He has not yet said whether the ROK will or will not attend the Korean Political Conference.

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